



## Senate

General Assembly

February Session, 2010

**File No. 260**

Senate Bill No. 396

*Senate, April 1, 2010*

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

### **AN ACT TRIGGERING CERTAIN ECONOMIC DEVELOPMENT PROGRAMS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 32-70 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2010*):

4 (c) (1) On or before September 30, 1993, the Commissioner of  
5 Economic and Community Development shall approve the  
6 designation of ten areas as enterprise zones, not more than four of  
7 which shall be in municipalities with a population greater than eighty  
8 thousand and not more than six of which shall be in municipalities  
9 with a population of less than eighty thousand.

10 (2) (A) On or after October 1, 1993, the commissioner shall approve  
11 the designation of two areas as enterprise zones. Each such area shall  
12 be in a municipality with a population of less than eighty thousand, in  
13 which there are one or more base or plant closures. Such municipalities

14 shall be in different counties. If the commissioner approves the  
15 designation of an area of a municipality as an enterprise zone because  
16 of a plant closure in the municipality and there is a closure of another  
17 plant in any other municipality in the state by the same business, the  
18 commissioner shall also designate an area in such other municipality  
19 as an enterprise zone. If any such designated area includes a portion of  
20 a census tract in which any such base or plant is located, the census  
21 tracts in such area shall not be required to meet the eligibility criteria  
22 set forth under subsection (a) of this section for enterprise zone  
23 designation. If any such area is located elsewhere in the municipality,  
24 the census tracts in such area shall meet such eligibility criteria. As  
25 used in this subparagraph, (i) "base" means any United States or state  
26 of Connecticut military base or facility located in whole or in part  
27 within the state; (ii) "plant" means any manufacturing or economic  
28 base business, as defined in subsection (l) of section 32-222; and (iii)  
29 "closure" means any reduction or transfer in military personnel or  
30 civilian employment at one or more bases or plants in a municipality,  
31 which occurred between July 1, 1989, and July 1, 1993, or is scheduled  
32 to occur between July 1, 1993, and July 1, 1996, and exceeds two  
33 thousand persons. Such employment figures shall be certified by the  
34 Labor Department. (B) On or after October 1, 1993, the commissioner  
35 shall approve the designation of three other areas as enterprise zones,  
36 one of which shall be in a municipality with a population greater than  
37 eighty thousand and two of which shall be in municipalities with a  
38 population of less than eighty thousand. The census tracts in such  
39 areas shall meet the eligibility criteria set forth under subsection (a) of  
40 this section for enterprise zone designation. The commissioner shall  
41 approve the designation of enterprise zones under this subparagraph  
42 for those municipalities which he determines to have experienced the  
43 largest increases in poverty from October 1, 1989, to October 1, 1993,  
44 inclusive, based on a weighted average of the unemployment rate,  
45 caseload under the temporary family assistance program and per  
46 capita income of less than ninety per cent of the state average between  
47 1985 and 1989. In making his determination, the commissioner may  
48 also consider the vacancy rates for commercial and industrial facilities

49 in a municipality and a municipality's program for the implementation  
50 of an effective enterprise zone program. To the extent appropriate, the  
51 commissioner shall use the Regional Economic Models, Inc. (REMI)  
52 system in making the calculations for such determination. (C)  
53 Notwithstanding the provisions of subsection (a) of this section,  
54 municipalities that were not distressed municipalities under the  
55 provisions of subsection (b) of section 32-9p on February 1, 1986, shall  
56 be eligible to designate areas as enterprise zones under subparagraph  
57 (A) or (B) of this subdivision.

58 (3) On or after October 1, 2010, the commissioner may approve the  
59 designation of one area as an enterprise zone. Such area shall be in a  
60 municipality with a population of less than fifty thousand, in which  
61 there are one or more plant closures. If any such designated area  
62 includes a portion of a census tract in which any such plant is located,  
63 the census tracts in such area shall not be required to meet the  
64 eligibility criteria set forth under subsection (a) of this section for  
65 enterprise zone designation. If any such area is located elsewhere in  
66 the municipality, the census tracts in such area shall meet such  
67 eligibility criteria. As used in this subdivision, (A) "plant" means any  
68 manufacturing or economic base business, as defined in subsection (l)  
69 of section 32-222; and (B) "closure" means any reduction or transfer in  
70 civilian employment at one or more plants in a municipality, which  
71 occurs between July 1, 2009, and July 1, 2010, and exceeds eight  
72 hundred persons. Such employment figures shall be certified by the  
73 Labor Department.

74 [(3)] (4) The commissioner shall not approve the designation of  
75 more than one enterprise zone in any municipality. The commissioner  
76 shall adopt regulations in accordance with chapter 54 concerning such  
77 additional qualifications for an area to become an enterprise zone as he  
78 deems necessary. The commissioner may remove the designation of  
79 any area he has approved as an enterprise zone if such area no longer  
80 meets the criteria for designation as such an area set forth in this  
81 section or in regulations adopted pursuant to this section, provided no  
82 such designation shall be removed less than ten years from the original

83 date of approval of such zone. The commissioner may designate any  
84 additional area as an enterprise zone if that area is designated as an  
85 enterprise zone, empowerment zone or enterprise community  
86 pursuant to any federal legislation.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>July 1, 2010</i>	32-70(c)
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**CE**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### ***OFA Fiscal Note***

#### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 11 \$</b>	<b>FY 12 \$</b>
Department of Revenue Services	GF - Revenue Loss	250,000	250,000
Policy & Mgmt., Off.	GF - See Below	See Below	See Below

Note: GF=General Fund

#### ***Municipal Impact:***

<b>Municipalities</b>	<b>Effect</b>	<b>FY 11 \$</b>	<b>FY 12 \$</b>
Various Municipalities	Revenue Impact	See Below	See Below

### ***Explanation***

The bill will result in an annual revenue loss to the General Fund of approximately \$250,000 beginning in FY 11. This is a result of designating a new enterprise zone which provides tax incentives for businesses within the zone. The estimated revenue loss to the corporation business tax and the sales and use tax is based on current utilization of enterprise zone tax credits and exemptions.

The bill allows certain municipalities the option to provide various property tax exemptions within the enterprise zone. It is assumed that a municipality would only elect to enter into an agreement to provide a property tax exemption if it would result in a net benefit to the municipality. The state reimburses municipalities up to 50% of the tax loss for facility improvements and machinery and equipment purchases for a five year period through the Distressed Municipalities grant administered by the Office of Policy and Management. If the appropriation is insufficient to fully fund the Distressed Municipalities grant, all payments are reduced on a pro rata basis, thus there is no

state cost, but may result in reduced grants to other municipalities.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, and the state reimbursement for certain property tax losses would continue for five years.

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**OLR Bill Analysis****SB 396*****AN ACT TRIGGERING CERTAIN ECONOMIC DEVELOPMENT PROGRAMS.*****SUMMARY:**

This bill sets narrow conditions under which the Department of Economic and Community Development commissioner may, by October 1, 2010, designate one additional enterprise zone. Current law explicitly authorizes 15 zones, all of which have been designated. It also authorizes additional zones under very narrow criteria, and two have been designated under those criteria, bringing the total number to 17.

Under the bill, the commissioner may approve a zone in a town with less than 50,000 people where one or more manufacturers or other “economic base businesses” have laid off over 800 people between July 1, 2009 and July 1, 2010. (Economic base businesses are those that create or retain jobs, sell most of their products or services to customers outside the state, or develop new products or services.) The bill refers to the layoffs as “plant closures.” The bill specifies the criteria for designating an enterprise zone in a town where plant closures occurred.

Manufacturers, banks, insurers, and other specified businesses automatically qualify for zone benefits if they develop property, acquire machines and equipment, and create new jobs in the zone. The benefits are property tax exemptions, corporation business tax credits, and sales tax exemptions for machinery replacement parts. Businesses outside the zone also qualify for these benefits, but at the commissioner’s discretion.

EFFECTIVE DATE: July 1, 2010

### **DESIGNATING THE ENTERPRISE ZONE**

Under the bill, the commissioner may designate a zone in a town meeting the population and plant closure criteria. The zone does not have to encompass the plant where the layoffs occurred. If it does, the zone does not have to meet the law's size and distressed criteria for designating zones. If the zone does not encompass the plant, it can be no larger than two contiguous census tracts meeting one of two sets of distress criteria. The proposed zone qualifies for designation under the first criteria if:

1. at least 25% of the people in the census tracts must have income below the poverty level,
2. at least 25% of that population receives public assistance, or
3. the unemployment rate is 200% of the state's average unemployment rate.

It qualifies under the second criteria if it consists of two contiguous tracts and one meets the above criteria and the other meets the following reduced criteria:

1. at least 15% of the people in the census tracts must have income below the poverty level,
2. at least 15% of that population receives public assistance, or
3. the unemployment rate is at least 150% of the state's average unemployment rate.

### **ENTERPRISE ZONE BENEFITS**

The bill qualifies businesses in the zones for tax incentives under the same terms and conditions as those in the 17 designated zones. Table 1 summarizes these benefits.

**Table 1: Enterprise Zone Tax Benefits**



<b>Business Types</b>	<b>Property Tax Exemption</b>	<b>Corporation Business Tax Credits</b>	<b>Sales Tax Exemption</b>
<ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Various financial services</li> <li>• Health services</li> <li>• Fishing, hunting, and trapping</li> <li>• Motor freight transportation and warehousing</li> <li>• Transportation</li> </ul>	<p>Five-year, state reimbursed property tax exemption for facility improvements and machinery and equipment purchases (CGS § 12-81 (59 &amp; (60))</p>	<p>For businesses developing facilities: 10-year, 25% credit (credit increases to 50% if business meets specified criteria( CGS § 12-217e)</p> <p>For new companies locating in the zones:</p> <ul style="list-style-type: none"> <li>• 100% for the first three years</li> <li>• 70% for the next seven years (CGS § 12-217v)</li> </ul>	<p>Sales tax exemption for machinery replacement parts (CGS § 12-412(43))</p>
Other businesses and residences	<p>Seven-year property tax exemption on the value of the improvement:</p> <ul style="list-style-type: none"> <li>• 100% in the first two years</li> <li>• 50% in the third</li> <li>• decreased by 10% in each of the remaining four years (CGS § 12-71)</li> </ul> <p>(No state reimbursements for this mandatory exemption)</p>	<p>10 years for new companies locating in the zones:</p> <ul style="list-style-type: none"> <li>• 100% for the first three years</li> <li>• 70% for the next seven years (CGS § 12-217v)</li> </ul>	

## COMMITTEE ACTION

### Commerce Committee

Joint Favorable

Yea 19 Nay 0 (03/18/2010)